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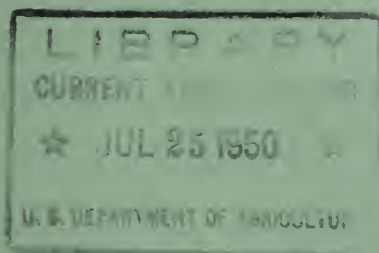
AND ITS PRODUCTS-

PROGRAM FOR 1950

PRICE SUPPORTS

FEDERAL ORDERS

MARKET SITUATION



**HERE
are the
FACTS**

PRODUCTION AND MARKETING ADMINISTRATION
United States Department of Agriculture

WHAT THIS IS ABOUT

Dairy products are important sources of income for U. S. farmers representing about 14 percent of total farm income.

Two types of programs to help maintain fair prices for the Nation's dairy farmers are currently in operation.

One provides price support for milk and butterfat through Commodity Credit Corporation purchases. This program was in operation in 1949. Although purchases are made only of products of manufacturing milk and butterfat, the effect is to bolster all dairy prices.

The other is the Federal order program. It is used mainly for fluid milk and is in operation in 37 marketing areas. It is a price-stabilizing program, and has been in operation since 1933.

1950 PRICE SUPPORTS

The Agricultural Act of 1949 requires that farm prices of milk and butterfat be supported through loans on, or purchases of, the products of milk and butterfat at such level between 75 and 90 percent of parity as the Secretary of Agriculture determines necessary to assure an adequate supply.

The 1950 program aims at supporting the price of manufacturing milk of 3.95 percent butterfat content at a national average price of about \$3.07 per hundred-weight and butterfat at a national average price of about 60 cents a pound. These prices are about the same average levels as for 1949.

The support prices represent about 81 percent of the revised parity equivalent price for manufacturing milk. The parity equivalent price for manufacturing milk is 88.5 percent of the parity price of all milk sold at wholesale by farmers.

The current program extends through March 1951, thus including the full marketing year for dairy products.

CARLOT PURCHASE PRICES

As a means of carrying out price support to dairy farmers, the Department offers to make carlot purchases of processed dairy products, f.o.b. any location in the United States, at the following prices:

Cheddar cheese, Grade A	31 ¢ lb.
Butter, Grade A	60 ¢ lb.
Butter, Grade B	58 ¢ lb.
Spray nonfat dry milk solids	12½ ¢ lb.
Roller nonfat dry milk solids	10½ ¢ lb.
Evaporated milk	\$3.95 case.

1949 PURCHASE OPERATIONS

Under the "purchase" method of price support, the Department offers to buy dairy products at prices which, on the average, enable processors to pay dairy farmers the support price for their milk or butterfat.

In 1949, the Department purchased 114 million pounds of butter, 325 million pounds of nonfat dry milk solids, and 25 million pounds of American Cheddar cheese.

Although successful in supporting prices, the 1949 program gave rise to a problem which has yet to be solved satisfactorily. This is the problem of disposing of surplus supplies of dairy products acquired by the Government under the price-support program.

By May 1, 1950, only a small fraction of the butter and cheese supplies and none of the nonfat dry milk solids acquired by the Government had been sold back into trade channels.

DISPOSAL PROBLEM

Some of the supplies are being put to good use in the National School Lunch Program and foreign feeding programs. This is done through donations or sales, in some cases at less than cost. But as of May 1, 1950, the Department was still making every effort to find additional outlets for the balance of its holdings.

The problem is pressing because:

1. Dairy products are perishable and should not be carried over to the next marketing year.
2. The Department expects that it will have to buy additional quantities in 1950 to make price support effective.
3. The only method of support open to the Department continues to be the "loan" or "purchase" method under which surpluses are accumulated.

Two solutions to the problem appear appropriate:

1. Find greater outlets for commodities acquired by the government;
2. Provide other methods of support which do not accumulate unmanageable surpluses.

FEDERAL ORDERS

Federal milk marketing orders are used to stabilize marketing conditions. They have been used mainly for milk going into fluid use (bottled milk). The purpose is to make the buying and selling of fluid milk an orderly process on which dairy farmers, dealers, and consumers alike can depend.

Federal orders now are operating in 37 fluid milk markets. The largest Federal order market is New York City with 45,000 producers. The smallest is Paducah, Ky., with 222 producers.

A Federal order is a regulation issued by the Secretary of Agriculture. It requires that dairy farmers regularly supplying the market be paid not less than certain minimum prices related to the uses made of milk. The Secretary, after public hearing and approval by dairy farmers, fixes these prices or prescribes the method by which the prices are fixed.

An order also provides either:

(1) For the payment to all producers and associations of producers delivering milk to the same handler of uniform prices for all milk delivered by them, or

(2) For the payment to all producers and associations of producers delivering milk to all handlers of uniform prices for all milk so delivered, irrespective of the uses made of such milk by the individual handler to whom it is delivered.

The first method is commonly called an "individual-handler pool," the second, a "market-wide pool."

A Federal order prevents the unnecessary and unpredictable fluctuations in price which are a characteristic of unregulated markets. It also:

1. Provides for the orderly marketing of surplus milk.
2. Prevents the exploitation of dairy farmers when competitive conditions become unstable in the retail market.
3. Assures accurate weighing, testing, classification, and accounting for milk.
4. Assures farmers as much for their milk as general supply and demand conditions in the market warrant.

In short, Federal orders stabilize milk prices for farmers in relation to general economic conditions.

FARMERS INITIATE ACTION

Orders are issued only at the request of dairy farmers. After a petition for an order is received by the Department, a public hearing is called to:

1. Establish the need for an order.
2. Consider the provisions that such an order should contain.

If evidence received at the public hearing is favorable, and if two-thirds (under some conditions, three-fourths) of the dairy farmers in the area approve, the Secretary issues a Federal order for the area. The same procedure is used to amend an order. Fifty percent of the dairy farmers both by number and volume can vote the order out of existence.

Although Federal orders provide very important benefits to some dairy farmers, they are not the answer to all the farmers' problems.

When general economic conditions take a "bad turn," the returns to all dairy farmers including those operating under a Federal order become less favorable. In this respect a Federal order is not a substitute for a price-support program.

MARKET SITUATION

No big changes are in prospect for dairy prices in 1950. Prices of manufacturing milk will hold steady as a result of the price-support program for such milk. However, there has been a recent trend toward lower prices on fluid milk for city markets.

Because cow numbers are now increasing, total milk production in 1950 probably will top the 1949 production of 119 billion pounds and may exceed the previous record of 121.5 billions reached in 1945. Milk production in the first 3 months of this year was running at the record annual rate of 123 billion pounds, partly reflecting favorable weather in those months.

A drop in exports is expected for 1950 as compared with 1949, although this decrease will depend largely on the activity of various aid programs for foreign countries. Thus, the likelihood of smaller foreign markets and larger production at home will place heavier supplies of milk on the United States market for 1950.